

502/989



Department of the Treasury
Internal Revenue Service

Publication 502

Medical and Dental Expenses

For use in preparing 1989 Returns

Important Change for 1989

Self-employed medical insurance. The special rule that allows self-employed individuals to deduct 25% of medical insurance premiums from gross income expires for tax years beginning after 1989. After 1989, the entire amount of the premiums can be included with your other medical expenses and deducted subject to the medical expense limitations.

Caution. As this publication was being prepared for print, Congress was considering legislation that would extend this deduction through 1991.

For additional information on any late legislative changes, see Publication 553, *Highlights of 1989 Tax Changes*.

Introduction

This publication tells you how to claim a deduction for your medical and dental expenses. You can take this deduction only if you itemize your deductions on Schedule A (Form 1040). There are limits on how much you can deduct. This is explained later.

Examples. Examples are given throughout to make the discussions easier to understand. A filled-in medical and dental expense section of Schedule A (Form 1040) is shown at the end of the publication.

Tax tips. On the left side of the page are tax tips to remind you of deductions that you may have overlooked.

Free publications and forms. If you need information on a subject not covered in this publication, you may check our other free publications. To order publications and forms, call our toll-free telephone number 1-800-424-FORM(3676) or write the IRS Forms Distribution Center for your area as shown in the income tax package.

What do medical expenses include?

Medical expenses include payments you make for the diagnosis, treatment, or prevention of disease, or for treatment affecting any part or function of the body. They also include insulin, and medicines and drugs that require a prescription. See **Medicines**, later.

Insurance. The premiums you pay for insurance that covers the expenses of medical care are medical expenses. You can include Medicare B premium payments and any voluntary premiums you pay for Medicare A. Premiums for life insurance or for policies covering loss of earnings or loss of a limb or eyesight are not medical expenses. See **Insurance—premiums, policies, and plans**, for more information.

Transportation. The amounts you pay for transportation to get medical care are included in medical expenses. Instead of figuring your actual car expenses, you can claim 9 cents a mile for medical transportation. If you go to another city for medical treatment you may also be able to include up to \$50 per night for lodging costs. See **Transportation and Lodging** for more information about claiming these items as medical expenses.

What form is used?

You figure your medical expense deduction on Schedule A, Form 1040. You cannot claim medical expenses on Form 1040A or Form 1040EZ. A filled-in medical and dental expense section of Schedule A is shown at the end of this publication.

How much can you deduct?

You can deduct only the amount of your medical and dental expenses that is more than 7.5% of your adjusted gross income shown on line 32, Form 1040.

T 22.44/2:



best copy available

Example. Your adjusted gross income on line 32, Form 1040, is \$20,000—7.5% of which is \$1,500. You paid medical expenses of \$800 in 1989. This includes \$300 for medical insurance premiums, \$100 for prescription medicines, and \$400 for other medical expenses. You cannot deduct any of your medical expenses.

Separate returns. If you and your spouse file separate returns, each of you can include only the medical expenses each actually paid. Any medical expenses paid out of a joint checking account in which you and your spouse have the same interest are considered to have been paid equally by each of you, unless you can show otherwise.

Community property states. If you and your spouse live in a community property state and file separate returns, any amounts you paid for medical expenses out of community funds are divided equally. Each of you should include half the expenses. If medical expenses are paid out of the separate funds of one spouse, only the spouse who paid the medical expenses can include them. If you live in a community property state, are married, and file a separate return, see Publication 555, **Community Property and the Federal Income Tax**.

7.5% limit. In this publication the term "7.5% limit" will be used to refer to 7.5% of your adjusted gross income. The phrase "subject to the 7.5% limit" will also be used. This phrase means that you must subtract 7.5% (.075) of your adjusted gross income from your medical expenses to compute your medical expense deduction for 1989.

What expenses are includible for 1989?

You can include only the medical and dental expenses you paid during 1989. If you pay medical expenses by check, the day you mail or deliver the check is the date of payment. If you use a "pay-by-phone" account to pay your medical expenses, the date reported on the statement of the financial institution showing when payment was made is the date of payment. You can include medical expenses you charged to your credit card in the year the charge is made. It does not matter when you actually pay the amount charged.

If you did not claim a medical or dental expense that would have been allowable in an earlier year, file an amended return for the year in which you overlooked the expense. Do not claim the expense on this year's return. An amended return must be filed within 3 years from the date the return was due or within 2 years from the time the tax was paid, whichever is later. Form 1040X is specially designed for use in changing a return.

You cannot include medical expenses that were paid by an insurance company or other sources. This is so whether the payments were made directly to you, to the patient, or to the provider of the medical services.

Decedent's medical expenses. Medical expenses for a decedent that are paid from his or her estate are treated as paid at the time the medical services were provided if they are paid within one year after death. See **Decedents**.

Whose medical expenses can you include?

You can include medical expenses you pay for yourself and for the individuals discussed in this section.

Spouse. You can include medical expenses you paid for your spouse. You must have been married at the time your spouse received the medical services or at the time you paid the medical expenses.

Example 1. Mary received medical treatment before she married Bill. Bill paid for the treatment after they married. Bill can include these expenses in figuring his medical expense deduction even if Bill and Mary file separate returns.

If Mary had paid the expenses before she and Bill married, Bill could not include Mary's expenses in his separate return. Mary would include the amounts she paid during the year in her separate return. If they filed a joint return, the medical expenses both paid during the year would be used to figure their medical expense deduction.

Example 2. During 1989, John paid medical expenses for his wife Louise, who died in 1988. John married Belle in 1989 and they file a joint return. Because John was married to Louise when she incurred the medical expenses, he can include those expenses in figuring his medical deduction for 1989.

Tax Tip. You may be able to claim medical expenses for your married dependent who filed a joint return. See **Example 2**. You also may include medical expenses for a person you could have claimed as a dependent if that person did not have gross income of \$2,000 or more, or had not filed a joint return.

Dependents. You can include medical expenses you paid for a person who was your dependent at the time the medical services were provided or at the time you paid the expenses.

Example 1. Your son, age 22, earned \$2,100. You cannot claim him as a dependent because he earned more than \$2,000 and he is not a student. You provided more than half of his support, including \$800 medical expenses. You can include the \$800 in figuring your medical expense deduction.

Example 2. You provided more than half your married daughter's support, including medical expenses of \$1,200. She and her husband file a joint return. You cannot claim your daughter as a dependent but you can include in your medical expenses the \$1,200 medical expenses you paid for her.

Adopted child. You can include pre-adoption medical expenses that you paid, if your adopted child qualified as your dependent when the medical services were provided or when you paid the expenses. If you pay back an adoption agency or other persons for medical expenses they paid under an agreement with you, you are treated as having paid those expenses. But if you pay back medical expenses incurred and paid before adoption negotiations began, you cannot include them as medical expenses.

Child of divorced or separated parents. If either parent can claim a child as a dependent under the rules for divorced or separated parents, each parent can include the medical expenses he or she pays for the child. For more information, see Publication 504, **Tax Information for Divorced or Separated Individuals**.

Dependent claimed under a multiple support agreement. A multiple support agreement is used to claim a dependent when two or more people provide more than half a dependent's support, but no one alone provides more than half. You can include medical expenses you pay for a person for whom you meet the support test under a multiple support agreement, even if you cannot claim the person as a dependent because he or she had gross income of \$2,000 or more. If you are entitled to claim a dependent under a multiple support agreement, any medical expenses paid by others who joined you in the agreement are not included as medical expenses by them or by you.

Example 1. You and your three brothers each provide one-fourth of your mother's total support. Under a multiple support agreement, you claim your mother as a dependent. You paid all of her medical expenses. Your brothers repaid you for three-fourths of these expenses. In figuring your medical expense deduction, you can include only one-fourth of your mother's medical expenses. Your brothers cannot include any part of your mother's medical expenses. However, if you and your brothers share the nonmedical support items and you separately pay all of your mother's medical expenses, you can include the amount you paid for her medical expenses in your medical expenses.

Example 2. Assume the same facts as in the previous example except that your mother had gross income of \$2,150. You meet the support test under a multiple support agreement but you cannot claim your mother as a dependent because she had gross income of \$2,000 or more. However, in figuring your medical expense deduction, you can include the amount you paid for your mother's medical expenses.

Decedents

Medical expenses of a decedent are treated as paid at the time the medical services were provided if the expenses are paid out of the decedent's estate and within the one year period beginning with the day after the date of death. This rule applies for the decedent's medical care. It does not apply to expenses for his or her dependents. You can include with your medical expenses on your return expenses you pay for a deceased dependent's medical care in the year they are paid, whether they are paid before or after the decedent's death.

What if the decedent's return has been filed and the medical expenses were not included? You can file a Form 1040X, **Amended U.S. Individual Income Tax Return**, for the year or years the expenses are treated as paid, unless the period for filing an amended return for that year has passed. An amended return must be filed within 3 years of the date the original return was filed, or within 2 years from the time any tax due was paid, whichever date is later.

Example. John Smith filed his 1988 income tax return on April 17, 1989. Mr. Smith died on June 1, 1989. His unpaid medical expenses were \$1,500 for 1988 and \$2,000 for 1989. His executor paid the \$3,500 in medical expenses in January 1990. The executor can file an amended return for 1988, claiming the \$1,500 medical expenses treated as paid in that year as a medical expense. The increase in medical expenses for 1988 will result in a refund. The \$2,000 for 1989, which is treated as paid in that year, is included as a medical expense on the return for 1989—the decedent's final return.

What if the medical expenses can be claimed on the estate tax return? If the expenses paid can be claimed on the estate tax return but you, as executor or surviving spouse, want to include the medical expenses on the decedent's income tax return, you must file a statement with Form 1040 or Form 1040X showing that the amount has not been, and will not be, claimed on the estate tax return.

What if a widow or widower pays the medical expenses? Medical expenses paid by a widow or widower for a deceased spouse are included as medical expenses on their Form 1040 in the year paid, whether they are paid before or after the decedent's death.

Medical Expenses:	Following is a list of items that you can or cannot include in figuring your medical expense deduction. The items are listed in alphabetical order on the left and are explained on the right.
Abortion	You can include in medical expenses the amount you pay for a legal abortion.
Acupuncture	You can include in medical expenses the amount you pay for acupuncture.
Alcoholism	You can include in medical expenses payments to a treatment center for alcoholics or drug addicts. This includes meals and lodging provided by the center during medical treatment.
Ambulance	You can include in medical expenses amounts you pay for ambulance service.
Artificial limb	You can include in medical expenses the amount you pay for an artificial limb.
Autoette	See Wheelchair , later.
Birth control pills	You can include in medical expenses birth control pills prescribed by your doctor.
Braille books and magazines	You can include in medical expenses the part of the cost of braille books and magazines for use by a blind or visually handicapped person that is more than the price for regular books and magazines.
Capital expenses	You can include in medical expenses amounts you pay for special equipment installed in your home or for improvements, if the main reason is for medical care. Permanent improvements that increase the value of the property may be partly deductible as medical expenses. The amount paid for the improvement is reduced by the increase in the value of the property. The rest is the medical expense. If the value of the property is not increased by the improvement, the entire cost is included as a medical expense. Certain capital expenses generally do not increase the value of a personal residence and may generally be included in full as medical expenses. Expenses made for the primary purpose of accommodating your personal residence to your handicapped condition, or that of your spouse or your dependents who live with you, are medical expenses. These expenses include, but are not limited to, the following items. • Constructing entrance or exit ramps to your residence. • Widening doorways at entrances or exits to your residence. • Widening or otherwise modifying hallways and interior doorways. • Installing railing, support bars, or other modifications to bathrooms. • Lowering of or making other modifications to kitchen cabinets and equipment. • Altering the location of or otherwise modifying electrical outlets and fixtures. • Installing porch lifts and other forms of lifts. Generally, this does not include elevators, because they may add to the fair market value of your residence, and any medical expense would have to be decreased to that extent. • Modifying fire alarms, smoke detectors, and other warning systems. • Modifying stairways.

- Adding handrails or grab bars anywhere in the house.
- Modifying hardware on doors.
- Modifying areas in front entrance and exit doorways.
- Grading of ground to provide access to the residence.

If you incur expenses similar to those listed above to adapt your personal residence to your handicapped condition, or to the handicapped condition of your spouse or dependents who live with you, the full expenses are medical expenses, provided the expenses do not increase the fair market value of your residence. Only reasonable costs incurred to accommodate a personal residence to the handicapped condition are considered to be incurred for the purpose of medical care or are directly related to medical care for these purposes. Additional costs attributable to personal motivations, such as for architectural or aesthetic reasons, are not allowable as medical expenses.

Capital expense work chart. Use the following chart to figure the amount of your capital expense that you may include in your medical expenses.

1. Enter amount you paid for the improvement.	\$
2. Enter increase in value of your home. If line 2 is equal to or more than line 1, you have no deduction. Stop here. If not, go on to line 3.	
3. Subtract line 2 from line 1. This is your medical expense.	\$

Example. You have a heart ailment. On your doctor's advice, you install an elevator in your home so that you will not have to climb stairs. The elevator costs \$2,000. An appraisal shows that the elevator increases the value of your home by \$1,400. Using the preceding work chart, you figure your medical expense like this:

1. Enter amount you paid for the improvement.	\$2,000
2. Enter increase in value of your home. If line 2 is equal to or more than line 1, you have no deduction. Stop here. If not, go on to line 3.	1,400
3. Subtract line 2 from line 1. This is your medical expense.	\$ 600

Operation and upkeep. If a capital expense qualifies as a medical expense, amounts you pay for operation and upkeep also qualify as a medical expense, as long as the medical reason for the capital expense still exists. This is so even if none or only part of the original capital expense qualified as a medical care expense.

Example. If, in the previous example, the elevator increased the value of your home by \$2,000, you would have no medical expense for the cost of the elevator. However, the cost of electricity to operate the elevator and repairs to maintain it are medical expenses as long as the medical reason for the elevator exists.

Improvements to property rented by a handicapped person. Amounts paid by a handicapped person to buy and install special plumbing fixtures, mainly for medical reasons, in a rented house may qualify as medical expenses.

Example. John Johnson is handicapped with arthritis and a heart condition. He cannot climb stairs or get into a bathtub. On his doctor's advice, he installs a bathroom with a shower stall on the first floor of his two-story rented house. The landlord did not pay any of the cost of buying and installing the special plumbing and did not lower the rent. John can include in medical expenses the whole amount paid.

Sale of medical property. If you buy medical equipment or other property, some or all of the cost of which is included as a medical expense on your tax return, and you sell that equipment in a later year, you may have a taxable gain from the sale. The portion of the expense which cannot be deducted because of the limit on medical deductions is included in your basis for determining the gain. For information on determining gain or loss, see Publication 544, *Sales and Other Dispositions of Assets*.

Car	Special equipment. You can include in medical expenses the cost of special hand controls and other special equipment installed in a car for the use of a handicapped person. Special design. The amount by which the cost of a car specially designed to hold a wheelchair is more than the cost of a regular car is a medical expense. Cost of operation. You cannot deduct the cost of operating a specially equipped car, except as discussed under Transportation .														
Chiropractors	You can include in medical expenses fees you pay to a chiropractor for medical care.														
Christian Science practitioners	You can include in medical expenses fees you pay to Christian Science practitioners.														
Contact lenses	See Eyeglasses .														
Cosmetic surgery	You can include in medical expenses the amounts you pay for a face-lift or other cosmetic surgery.														
Crutches	You can include in medical expenses the amount you pay to buy or rent crutches.														
Dancing lessons, swimming lessons, etc.	You cannot include the cost of dancing lessons, swimming lessons, etc., even if they are recommended by your doctor for the general improvement of your health.														
Dental treatment	You can include in medical expenses the amounts you pay for dental treatment. This includes fees paid to dentists for X-rays, fillings, braces, extractions, dentures, etc.														
Diaper service	NOT DEDUCTIBLE														
Doctor's fees	You can include in medical expenses fees you pay to doctors. This includes, but is not limited to, fees to: <table><tr><td>chiropracodists</td><td>psychiatrists</td><td>anesthesiologists</td></tr><tr><td>ophthalmologists</td><td>surgeons</td><td>gynecologists</td></tr><tr><td>osteopaths</td><td>pediatricians</td><td>obstetricians</td></tr><tr><td>podiatrists</td><td>dermatologists</td><td>neurologists</td></tr></table> Psychiatric care. You can include in medical expenses amounts you pay for psychiatric care. This includes the cost of supporting a mentally ill dependent at a specially equipped medical center where the dependent receives medical care. See Psychoanalysis and Transportation .			chiropracodists	psychiatrists	anesthesiologists	ophthalmologists	surgeons	gynecologists	osteopaths	pediatricians	obstetricians	podiatrists	dermatologists	neurologists
chiropracodists	psychiatrists	anesthesiologists													
ophthalmologists	surgeons	gynecologists													
osteopaths	pediatricians	obstetricians													
podiatrists	dermatologists	neurologists													
Drugs	See Medicines .														
Drug addiction	See Alcoholism .														
Electrolysis or hair removal	You can include in medical expenses amounts you pay for removal of hair through electrolysis performed by a licensed technician.														
Eyeglasses	You can include in medical expenses amounts you pay for eyeglasses and contact lenses you need for medical reasons. You can also include fees paid for eye examinations.														
Founder's fee	See Lifetime care—advance payments .														
Funeral expenses	NOT DEDUCTIBLE														
Group medical insurance	See Insurance—premiums, policies, and plans .														
Guide dog	You can include in medical expenses the cost of a guide dog for the blind or deaf. You can also include the cost of a dog or other animal trained to assist persons with other physical disabilities. Amounts you pay for the care of the dog are also medical expenses.														
Hair transplant	You can include in medical expenses the cost of a surgical hair transplant performed by a physician.														

Handicapped persons	See Schools, special , later.
Health club dues	You cannot include amounts paid for health club dues, YMCA dues, or steam baths for your general health or to relieve physical or mental discomfort not related to a particular medical condition.
Hearing aids	You can include in medical expenses the cost of a hearing aid and the batteries you buy to operate it.
HMO—Health Maintenance Organization	You can include in medical expenses amounts you pay to entitle you to receive medical care from a health maintenance organization. These amounts are treated as medical insurance premiums. See Insurance—premiums, policies, and plans .
Hospital services	You can include in medical expenses amounts you pay for hospital services. Also see Lodging .
Household help	You cannot include the cost of household help, even if your doctor recommends it because you are physically unable to do housework. However, see Nursing services .
Insurance—premiums, policies, and plans	You can include the amount you pay for medical insurance as a medical expense. The amount you pay is added to your other medical expenses and is subject to the 7.5% limit, discussed earlier under How much can you deduct? (For information on how to treat insurance payments you receive, see Insurance reimbursement, later.) Premiums. Your medical insurance premiums are amounts paid for medical care, whether the payments under the policy are made directly to the provider of the care (hospital, doctor, dentist, etc.), the patient, or to you. You can include in medical expenses premiums you pay for policies that provide payment for: • Hospitalization, surgical fees, X-rays, etc., • Prescription drugs, • Replacement of lost or damaged contact lenses, or • Membership in an association that gives cooperative or so-called “free-choice” medical service, or group hospitalization and clinical care. If you have a policy that provides more than one kind of payment, you can include the premiums for the medical care part of the policy if the charge for the medical part is reasonable. The cost of that part must be separately stated in the insurance contract or given to you in a separate statement. Medicare B. Medicare B is supplementary medical insurance. Premiums you pay for Medicare B are a medical care expense. If you applied for it at age 65, you can deduct \$27.90 (\$31.90 if you are eligible for Medicare A) for each month from January through December for which you paid premiums in 1989. If you were over age 65 when you first enrolled, check the information you received from the Social Security Administration to find out your premium. Medicare A. Medicare A premiums you voluntarily pay to obtain basic hospital insurance are medical expenses. Although part of the social security tax and self-employment tax is for Medicare A, you cannot include that amount. Prepaid insurance premiums. Premiums you pay before you are 65 for insurance for medical care for yourself, your spouse, and your dependents after you reach 65 are medical care expenses. These premiums are included in your medical expenses in the year paid if they are: 1) Payable in equal yearly installments, or more often, and 2) Paid for at least 10 years, or until you reach age 65 (but not for less than 5 years).

Premiums paid for a retired employee. Under certain employer health plans, you may continue to participate in the plan after you retire. You may either receive a cash payment for your unused sick leave or have the payment applied to the cost of insurance. If you retire under such a plan, you must include the value of the unused sick leave in your gross income. You include the payment applied to the cost of insurance as a medical insurance premium.

If you retire under an employer health plan which provides that your employer automatically apply your unused sick leave pay to your health insurance premiums, you do not include the value of the unused sick leave in your gross income. You cannot include the premiums paid with unused sick leave pay as a medical expense.

You cannot include premiums you pay for:

- Life insurance policies,
- Policies providing payment for loss of earnings,
- Policies for loss of life, limb, sight, etc.,
- Policies that pay you a guaranteed amount each week for a stated number of weeks if you are hospitalized for sickness or injury, or
- The part of your car insurance premiums that provides medical insurance coverage for all persons injured in or by your car since the portion of the premium for you and your dependents is not stated separately.

Health insurance costs for self-employed individuals. In 1989, if you are self-employed, you can deduct as a business expense on line 26 of Form 1040, rather than on Schedule A, up to 25% of the amount you pay for medical insurance for yourself and your family. The balance of the cost is included with your other medical care expenses as an itemized deduction, subject to the 7.5% limitation. The 25% deduction cannot exceed the net earnings from the business in which the insurance plan is established. Use the worksheet that follows to figure your deduction. This deduction is repealed for tax years beginning after 1989. If you are also an employee of another person, you cannot take this special 25% deduction for your medical insurance costs if you are eligible to participate in a subsidized health plan maintained by your employer. You cannot take this special 25% deduction if your spouse is employed, and you are eligible to participate in your spouse's subsidized health plan. For more information, see Publication 535, **Business Expenses**.

Worksheet for Self-Employed Health Insurance Deduction
(Keep for your records)

1. Enter amount paid for health insurance in 1989 for you, your spouse, and dependents	
2. Percentage used to figure the deduction	× .25
3. Multiply the amount on line 1 by the percentage on line 2	
4. Enter your net profit and any other earned income* from the business under which the plan is established minus any deduction you claim on Form 1040, line 27	
5. Compare the amounts on lines 3 and 4. Enter the smaller of the two amounts here and on Form 1040, line 26. (DO NOT include this amount in figuring any medical expense deduction on Schedule A (Form 1040))	

* Earned income includes net earnings and gains (other than capital gains) from the sale, transfer, or licensing of property you created.

Caution. As this publication was being prepared for print, Congress was considering legislation that would extend this deduction through 1991.

For additional information on any late legislative changes, see Publication 553, *Highlights of 1989 Tax Changes*.

Laboratory fees	You can include in medical expenses the amounts you pay for laboratory fees that are part of your medical care.
Laetrile	You can include in medical expenses amounts you pay for laetrile prescribed by a doctor and purchased and used in a location where the sale and use are legal.
Lead-based paint removal	You can include in medical expenses the cost of removing lead-based paints from surfaces in your home to prevent a child who has or had lead poisoning from eating the paint. These surfaces must be in poor repair (peeling or cracking) or within the child's reach. The cost of repainting the scraped area is not a medical expense. If, instead of removing the paint, you cover the area with wallboard or paneling, you would treat these items as capital expenses. See Capital expenses. Do not include the cost of painting the wallboard as a medical expense.
Learning disability	You can include in medical expenses tuition fees you pay to a special school for a child who has severe learning disabilities caused by a mental or physical handicap, including nervous system disorders. Your doctor must recommend that the child attend the school. See Schools, special, later. You can also include tutoring fees you pay on your doctor's recommendation for the child's tutoring by a teacher who is specially trained and qualified to work with children who have severe learning disabilities.
Legal fees	You can include in medical expenses legal fees paid to authorize treatment for mental illness. However, if part of the legal fee includes, for example, a guardianship or estate management fee, you cannot include that part in medical expenses.
Lifetime care—advance payments	Retirement home. You can include in medical expenses a part of a life-care fee or "founder's fee" you pay either monthly or as a lump sum under an agreement with a retirement home. The part of the fee payment you include is the amount properly allocable to medical care. The agreement must require a specified fee payment as a condition for the home's promise to provide lifetime care that includes medical care. Handicapped dependents. You can include in medical expenses advance payments to a private institution for lifetime care, treatment, and training of your physically or mentally handicapped dependent if you should die or become unable to provide care. The payments must be a condition for the institution's future acceptance of your dependent and must not be refundable.
Lodging	You can include in medical expenses the cost of meals and lodging at a hospital or similar institution if your main reason for being there is to receive medical care. See Nursing home. You can include in medical expenses the cost of lodging (not provided in a hospital or similar institution) while away from home if you meet all of the following requirements. • The lodging is primarily for and essential to medical care. • Medical care is provided by a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital. • The lodging is not lavish or extravagant under the circumstances. • There is no significant element of personal pleasure, recreation, or vacation in the travel away from home. The amount you include in medical expenses cannot exceed \$50 for each night for each person. Lodging is included for a person for whom transportation expenses are a medical expense because that person is traveling with the person receiving the medical care. For example, if a parent is traveling with a sick child, up to \$100 per night is included as a medical expense for lodging (meals are not deductible).

Do not include the cost of your meals and lodging while you are away from home for medical treatment that you do not receive at a medical facility, or for the relief of a specific condition, even if the trip is made on the advice of your doctor.

Example. You have a heart condition. You live in an area that has cold winters, which makes your condition worse. Your doctor advises you to spend the winter in a warmer place. You and your family spend the winter in a rented house in Florida. The trip was made for a specific medical reason. You cannot include any of the expenses for food and lodging between your home and Florida or while you are in Florida as a medical expense. However, your share of transportation expenses between your home and Florida is included as a medical expense. Your family's transportation is not deductible. See **Transportation**.

Maternity clothes	NOT DEDUCTIBLE
Meals	See Lodging .
Medical information plan	You can include in medical expenses amounts paid to a plan that keeps your medical information so that it can be retrieved from a computer data bank for your medical care.
Medicines	You can include in medical expenses amounts you pay for medicines and drugs that require a prescription, or for insulin. A prescribed drug is one which requires a prescription by a doctor for its use by an individual.
Mentally retarded, special home for	You can include in medical expenses the cost of keeping a mentally retarded person in a special home, not the home of a relative, on the recommendation of a psychiatrist to help the person adjust from life in a mental hospital to community living.
Nursing home	You can include in medical expenses the cost of medical care, including meals and lodging, for yourself, your spouse, or your dependents, in a nursing home or home for the aged, if the main reason for being there is to get medical care. Do not include the cost of meals and lodging if the reason for being in the home is personal or family. You can include in medical expenses only the part of the cost that is for medical or nursing care.
Nursing services	You can include in medical expenses wages and other amounts you pay for nursing services. Services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as the bathing and grooming of the patient. You can also include in medical expenses some or all of the amounts you pay for an attendant's meals. To find the cost of the attendant's food, divide the food expense among the household members. If you had to pay additional amounts for household upkeep because of the attendant, you can include the extra amounts with your medical expenses. This includes extra rent you pay because you moved to a larger apartment to provide space for the attendant, or the extra cost of utilities for the attendant. If the attendant also provides personal and household services, these amounts must be divided between the time spent in performing household and personal services and the time spent for nursing services. Only the amount spent for nursing services is a medical expense. However, certain expenses for household services or for the care of a qualifying individual incurred to allow you to work may qualify for the child and dependent care credit. See Publication 503, Child and Dependent Care Expenses. Social security tax. You can include social security tax you pay for a nurse, attendant, or other person who provides medical care as a medical expense. For information on how to figure social security tax, as well as other taxes you may be required to pay or withhold, see Publication 926, Employment Taxes for Household Employers. Healthy baby. Do not include the cost of nursing services for a normal, healthy baby. But you may be able to take a credit for child care expenses. See Publication 503 for more information.
Operations	You can include in medical expenses amounts you pay for legal operations.

Optometrist	See Eyeglasses .
Oxygen	You can include in medical expenses amounts you pay for oxygen or oxygen equipment to relieve breathing problems caused by a medical condition.
Personal use items	You can include in medical expenses an item ordinarily used for personal, living, and family purposes if it is used primarily to prevent or alleviate a physical or mental defect or illness. For example, a wig purchased upon the advice of a physician for the mental health of a patient who has lost all of his or her hair from disease can be included with medical expenses.
Prosthesis	See Artificial limb .
Psychoanalysis	You can include in medical expenses payments for psychoanalysis. You cannot include payments for psychoanalysis that you must get as a part of your training to be a psychoanalyst.
Psychologist	You can include in medical expenses amounts you pay to a psychologist for medical care.
Schools, special	You can include in medical expenses payments to a special school for a mentally or physically handicapped person if the main reason for using the school is that it has resources for relieving the handicap. You can include, for example, the cost of a school that: • Teaches braille to a blind child, • Teaches lip reading to a deaf child, or • Gives remedial language training to correct a condition caused by a birth defect. The cost of meals, lodging, and ordinary education supplied by a special school can be included in medical expenses only if the main reason for the child's being there is the resources the school has for relieving the mental or physical handicap. You cannot include the cost of sending a problem child to a special school for benefits the child may get from the course of study and the disciplinary methods.
Smoking program	You cannot include the cost of a program to stop smoking that you join for the improvement of your general health at the suggestion of your doctor.
Sterilization	You can include in medical expenses the cost of a legal sterilization (a legally performed operation to make a person unable to have children).
Surgery	See Operations .
Telephone	You can include in medical expenses the cost and repair of special telephone equipment that lets a deaf person communicate over a regular telephone.
Television	You can include in medical expenses the cost of equipment that displays the audio part of television programs as subtitles for the deaf. This may be the cost of an adapter that attaches to a regular set. It also may be the excess cost of a specially equipped television over the cost of the same model regular television set.
Therapy	You can include in medical expenses amounts you pay for therapy you receive as medical treatment. "Patterning" exercises. Payments you make to an individual for giving "patterning" exercises to a mentally retarded child are medical care expenses. These exercises consist mainly of coordinated physical manipulation of the child's arms and legs to imitate crawling and other normal movements.
Transplants	You can include in medical expenses payments for surgical, hospital, laboratory, and transportation expenses for a donor or a possible donor of a kidney or other organ.
Transportation	Amounts paid for transportation primarily for and essential to medical care qualify as medical expenses. YOU CAN INCLUDE: • Bus, taxi, train, or plane fare, or ambulance service,

Tax Tip. Instead of deducting actual car expenses, you may take 9 cents a mile for each mile you use your car for medical reasons. Add the cost of tolls and parking to this amount.

- Actual car expenses, such as gas and oil (do not include expenses for general repair, maintenance, depreciation, and insurance),
- Parking fees and tolls,
- Parent's transportation expenses if a parent must go with a child who needs medical care,
- Transportation expenses of a nurse or other person who can give injections, medications, or other treatment required by a patient who is traveling to get medical care and is unable to travel alone, or
- Transportation expenses for regular visits to see a mentally ill dependent, if these visits are recommended as a part of treatment.

DO NOT INCLUDE:

- Transportation expenses to and from work, even if your condition requires an unusual means of transportation, or
- Transportation expenses if, for nonmedical reasons only, you choose to travel to another city, such as a resort area, for an operation or other medical care prescribed by your doctor.

Trips	You cannot include in medical expenses a trip or vacation taken for a change in environment, improvement of morale, or general improvement of health, even if you make the trip on the advice of a doctor.
Tuition fees	You can include in medical expenses charges for medical care that are included in the tuition fee of a college or private school if the charges are separately stated in the bill, or given to you by the school. See Learning disability and Schools, special .
Vacation	See Trips .
Weight loss program	You cannot include the cost of a weight loss program even if your doctor advises the program for your general health.
Wheelchair	You can include in medical expenses amounts you pay for an autoette or a manual or motorized wheelchair used mainly for the relief of sickness or disability, and not just to provide transportation to and from work. The cost of operating and keeping up the autoette or wheelchair is also a medical expense.
X-ray fees	You can include in medical expenses amounts you pay for X-rays that you get for medical reasons.

Impairment-related expenses to be able to work — business or medical expenses?

If you are handicapped and have expenses which are necessary for you to be able to work (impairment-related work expenses), you take a business deduction for these expenses, rather than a medical deduction. You are handicapped if you meet one of the following requirements.

- You have a physical or mental disability which functionally limits your being employed. This includes, but is not limited to, blindness or deafness.
- You have a physical or mental impairment which substantially limits one or more of your major life activities, such as performing manual tasks, walking, speaking, breathing, learning, or working. This includes, but is not limited to, sight or hearing impairment.

Deduct these expenses as business expenses if they are:

- Impairment-related work expenses,
- Necessary for you to do your work satisfactorily,
- For goods and services not required or used, other than incidentally, in your personal activities, and
- Not specifically covered under other income tax laws.

You can deduct your impairment-related work expenses that exceed any reimbursement or allowance as a miscellaneous expense if you itemize deductions on Schedule A (Form 1040). Your impairment-related work expenses are not subject to the 2% of adjusted gross income limit that applies to other employee business expenses. Enter the amount of your impairment-related work expenses that are a miscellaneous deduction from line 13 (Form 2106) on line 25 of Schedule A (Form 1040). Follow Form 2106 instructions to determine your deduction for other employee business expenses.

The following examples illustrate whether expenses are medical or business expenses. The expenses in each example are unreimbursed.

Example 1. You are blind and to do your work you must use a reader. You use the reader both during your regular working hours at your place of work and outside of your regular working hours away from your place of work. The reader's services are only for your work. You can deduct your expenses for the reader as an employee business expense under other Miscellaneous Deductions on line 25 of Schedule A (Form 1040). See Publication 529, *Miscellaneous Deductions*, for more information about claiming the expenses of producing income, and about impairment-related work expenses.

Example 2. You are confined to a wheelchair. Sometimes you must go out of town on business. Your friend or spouse goes with you to help with such things as carrying your luggage or getting you up steps. You do not pay your helper a salary, but you do pay for your helper's travel, meals, and lodging while on such trips. In your hometown you do your job without a helper. Because the expenses for travel, meals, and lodging of your helper are directly related to doing your job, you can deduct them as miscellaneous deductions on Schedule A, line 25. See Publication 463, *Travel, Entertainment, and Gift Expenses*, which explains the records you must keep.

Example 3. You are confined to a wheelchair. You must go on overnight out-of-town business trips as part of your job. Your friend goes with you on these trips to help with your wheelchair, luggage, and your daily medication. You do not pay a salary to your friend. You do pay for all of your friend's travel, meals, and lodging while on these trips. However, you also need your friend's help regularly during the hours you are not working, while at home and out of town. The expenses for the travel, meals, and lodging of your friend are nursing services. You include them as medical expenses on Schedule A (Form 1040).

If, instead of your friend, your spouse goes with you on the out-of-town business trips, you can deduct as medical expenses only the out-of-pocket expenses for your spouse's travel. Expenses for your spouse's meals and lodging are not deductible.

Insurance reimbursement

You must reduce your total medical expenses for the year by all payments (reimbursements) for medical expenses that you receive from insurance or other sources during the year. This includes payments from Medicare. See **How to figure your deduction**, later.

Accident insurance. If you have an accident insurance policy that reimburses you for the costs of hospitalization and medical care, you must reduce your total medical expenses by the reimbursement. Do not reduce medical expenses by any payment you receive for loss of earnings or damages for personal injury.

What if your insurance reimbursement is more than your medical expenses?

Premiums paid by you. If you pay the entire premium for your medical insurance or all the costs of a similar plan and you receive a reimbursement equal to your total medical expenses for the year, you do not have a medical deduction. If insurance payments or other reimbursements are more than your total medical expenses for the year (resulting in what is called **excess reimbursement**), you do not have a medical deduction. You do not include the excess reimbursement in your gross income.

Premiums paid by you and your employer. If both you and your employer contribute to your medical insurance plan and your employer's contributions are not included in your gross income, you must include in your gross income the part of your excess reimbursement that is from your employer's contribution.

Example. You are covered by your employer's medical insurance policy. The annual premium is \$2,000. Your employer pays \$600 of that amount and the balance of \$1,400 is taken out of your wages. The part of any excess reimbursement you receive under the policy that is from your employer's contributions is figured like this:

Total annual cost of policy	\$2,000
Amount paid by employer	600
Employer's contribution in relation to the total annual cost of the policy ($\$600 \div \$2,000$)	30%

You must include in your gross income 30% of the excess reimbursement you received for medical expenses under the policy.

Premiums paid by your employer. If your employer, or your former employer if you are retired, pays the total cost of your medical insurance plan and your employer's contributions are not included in your income, you must report all of your excess reimbursement as income. See Publication 525, **Taxable and Nontaxable Income**, for more information about whether the medical insurance premiums paid by your employer are exempt from tax.

More than one policy. If you are covered under more than one policy, the costs of which are paid by both you and your employer, you must first divide the medical expense among the policies to figure the excess reimbursement from each policy. Then divide the policy costs to figure the part of any excess reimbursement that is from your employer's contribution.

Example. You are covered by your employer's health insurance policy. The annual premium is \$1,200. Your employer pays \$300 and the balance of \$900 is deducted from your wages. You also paid the whole premium (\$250) for a personal health insurance policy.

During the year you paid medical expenses of \$3,600. In the same year, you were reimbursed \$2,500 under your employer's policy and \$1,500 under your personal policy.

You figure the part of any excess reimbursement you receive that is from your employer's contribution like this:

Step 1.

Reimbursement from employer's policy	\$2,500
Reimbursement from your policy	1,500
Total reimbursement	\$4,000
Amount of medical expenses from your policy [($\$1,500 \div \$4,000$) $\times$ \$3,600 total medical expenses]	\$1,350
Amount of medical expenses from your employer's policy [($\$2,500 \div \$4,000$) $\times$ \$3,600 total medical expenses]	2,250
Total medical expenses	\$3,600
Excess reimbursement from your employer's policy ($\$2,500 - \$2,250$)	\$ 250

Step 2.

Because both you and your employer contributed to the cost of this policy, you must divide the cost to determine the excess reimbursement from your employer's contribution.

Employer's contribution in relation to the annual cost of the policy ($\$300 \div \$1,200$)	25%
---	-----

You must report as income 25% of the excess reimbursement of \$250, or \$62.50, that is from your employer's contribution.

What If you receive insurance reimbursement in a later year?

If you are reimbursed in a later year for a medical expense you deducted in an earlier year, you must report as income the amount you received from insurance or other sources that is equal to, or less than, the amount you previously deducted as medical expenses. However, you may exclude from income the amount of reimbursement you received up to the amount of your medical deductions that did not reduce the amount of income tax imposed on you in the year you deducted the medical expenses.

Example. You are single. Your adjusted gross income in 1988 was \$20,000. During that year you paid medical insurance premiums of \$500 and other medical expenses of \$1,900. No amount was included for prescribed medicines and drugs. You deducted \$900, figured like this:

Step 1.

Medical expenses	\$1,900
Insurance premiums	500
Total	\$2,400
Minus 7.5% (.075) of adjusted gross income	1,500
Total medical expense deduction	\$ 900

Step 2.

Your itemized deductions, including your medical expenses, are \$4,100. In 1989 you collected \$600 under your insurance policy for part of your 1988 medical expenses. If you had collected it in 1988, your deduction for medical expenses would have been only \$300, figured like this:

Medical expenses	\$1,900
Insurance premiums	500
Total	\$2,400
Minus: insurance payments	600
Balance	\$1,800
Minus: 7.5% (.075) of adjusted gross income	1,500
Total medical expense deduction	\$ 300

Step 3.

Your \$900 medical expense deduction in 1988 reduced your income tax in that year. You must include the \$600 of insurance reimbursement in income in 1989. Report the \$600 on line 22, Form 1040.

For more information about the recovery of an amount that you claimed as an itemized deduction in an earlier year, see Publication 525.

What If you are reimbursed for medical expenses you did not deduct?

If you did not deduct a medical expense in the year you paid it because your medical expenses were not more than 7.5% of your adjusted gross income, or because you did not itemize deductions, you should not include in income the reimbursement for this expense that you receive in a later year.

Example. In 1989 you have medical expenses of \$500. You cannot deduct the \$500 because it is less than 7.5% of your adjusted gross income. If, in a later year, you are paid for any of the \$500 medical expenses, you do not include that amount in your gross income.

Settlement of damage suit

If you receive an amount in settlement of a personal injury suit, the part that is for medical expenses deducted in an earlier year must be included as income in the later year if your medical deduction in the earlier year reduced your income tax in that year. See **What if you receive insurance reimbursement in a later year?**

Future medical expenses. If you receive an amount in settlement of a damage suit for personal injuries that is properly allocable or determined to be for future medical expenses, you must reduce any medical expenses you pay this year and in future years because of these injuries until the amount you receive has been completely used. You can include amounts you pay after that in your medical expenses.

How to figure your deduction

To figure your medical and dental expense deduction, complete Schedule A (Form 1040) as follows:

Line 1a. Write in the amount you paid for prescription medicine and drugs, or for insulin, after you reduce these expenses by any payments received from insurance or other sources. Include in line 1a, Schedule A (Form 1040) amounts you paid for doctors, dentists, nurses, and hospitals, after you reduce these expenses by any payments received from insurance or other sources. Also include the total amount you paid for insurance premiums for medical and dental care.

Line 1b. Write in the amounts spent for other medical expenses after you reduce these amounts by any payments received from insurance or other sources. Include hearing aids, dentures, eyeglasses, transportation and lodging, etc.

Line 2. Add lines 1a and 1b.

Line 3. Write in 7.5% (.075) of your adjusted gross income (line 32, Form 1040).

Line 4. If line 3 is more than line 2, write zero. Otherwise, subtract the amount on line 3 from the amount on line 2. This is your deduction for medical and dental expenses.

Example. Bill and Helen Jones belong to a group medical plan and part of their insurance is paid by Bill's employer. They paid the following medical expenses during the year:

- 1) \$375 for prescription medicines and drugs, \$337 for hospital bills, \$439 for doctor bills, \$295 for hospitalization insurance, \$380 for medical and surgical insurance, and \$33 for transportation for medical treatment, and
- 2) \$300 for doctors, \$300 for insulin, and \$175 for eyeglasses for Grace Taylor, Helen's dependent mother, and
- 3) \$450 for doctors and \$325 for prescription medicines and drugs for Betty Jones, Bill's sister, whom they claim as their dependent.

The hospital and doctors' bills have been reduced by payments from the insurance company. Their adjusted gross income is \$33,004. Bill and Helen figure their medical expense deduction like this (lines shown are to Schedule A (Form 1040)):

Prescription medicine and drugs, and insulin

Bill and Helen	\$ 375
Grace Taylor	300
Betty Jones	325

Other medical and dental expenses

Bill and Helen (doctors)	439
Grace Taylor (doctors)	300
Betty Jones (doctors)	450
Bill and Helen (hospitals)	337
Hospitalization insurance	295
Medical and surgical insurance	380

Total paid for prescription medicines and drugs, insulin, doctors, hospitals, and insurance \$3,201 (line 1a)

Other (eyeglasses and transportation) 208 (line 1b)

Add lines 1a and 1b \$3,409 (line 2)

Minus: 7.5% (.075) of line 32, Form 1040 \$2,475 (line 3)

Total amount deductible \$ 934 (line 4)

Bill and Helen enter \$934 on line 4, Schedule A (Form 1040).

See the filled-in medical and dental expense portion of Schedule A which follows.

SCHEDULES A&B
(Form 1040)

Department of the Treasury
Internal Revenue Service

Schedule A—Itemized Deductions

(Schedule B is on back)

► Attach to Form 1040. ► See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074

1989

Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Bill and Helen Jones

Your social security number

333 00 3333

**Medical and
Dental Expenses**

(Do not include
expenses
reimbursed or
paid by others.)

(See
Instructions
on page 23.)

1a Prescription medicines and drugs, insulin, doctors, dentists, nurses, hospitals, medical insurance premiums you paid, etc.

b Other. (List—include hearing aids, dentures, eyeglasses, transportation and lodging, etc.) ►

1a *3,201* -

1b *208* -

2 Add the amounts on lines 1a and 1b. Enter the total here

2 *3,409* -

3 Multiply the amount on Form 1040, line 32, by 7.5% (.075)

3 *2,475* -

4 Subtract line 3 from line 2. If zero or less, enter -0-. **Total medical and dental**

4 *934* -

How to Get IRS Forms and Publications

You can order tax forms and publications from the IRS Forms Distribution Center for your state at the address below. Or, if you prefer, you can photocopy tax forms from reproducible copies kept at many participating public libraries. In addition, many of these libraries have reference sets of IRS publications which you can read or copy.

Send to
"Forms Distribution
Center"
for your state

If you are located in:

↓ ↓

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming	Rancho Cordova, Ca. 95743-0001
--	-----------------------------------

Alabama, Arkansas,
Illinois, Indiana, Iowa,
Kansas, Kentucky,
Louisiana, Michigan,
Minnesota,
Mississippi, Missouri,
Nebraska, North
Dakota, Ohio,
Oklahoma, South
Dakota, Tennessee,
Texas, Wisconsin

P.O. Box 9903,
Bloomington, IL
61799

Connecticut, Delaware,
District of Columbia,
Florida, Georgia,
Maine, Maryland,
Massachusetts, New
Hampshire, New
Jersey, New York,
North Carolina,
Pennsylvania, Rhode
Island, South Carolina,
Vermont, Virginia, West
Virginia

P.O. Box 25866,
Richmond, VA 23289

Foreign Addresses—Taxpayers
with mailing addresses in foreign
countries should send their re-
quests for forms and publications
to: Forms Distribution Center,
P.O. Box 25866, Richmond, VA
23289; Forms Distribution
Center, Rancho Cordova, Ca.
95743-0001, whichever is closer.

Puerto Rico—Forms Distribution
Center, P.O. Box 25866, Rich-
mond, VA 23289

Virgin Islands—V.I. Bureau of
Internal Revenue, Lockharts
Garden, No. 1A, Charlotte
Amalie, St. Thomas, VI 00802

Detach at This Line

☆ U.S. GOVERNMENT PRINTING OFFICE: 1988-238-508

Order blank—We will send you 2 copies of each form and 1 copy of each set of instructions or publication you circle. Please cut the order blank on the dotted line above and be sure to print or type your name and address accurately on the bottom portion. This will be the label used to return material to you. Enclose this order blank in your own envelope and address your envelope to the IRS address shown above for your state. To help reduce waste, please order only the forms, instructions, and publications you think you will need to prepare your return. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper listing the additional forms and publications you may need. Be sure to allow 2 weeks to receive your order.

1040	Schedules A&B (1040)	Schedule SE (1040)	3903 & Instructions	8615	Pub. 504	Pub. 527	Pub. 929
Instructions for 1040 & Schedules	Schedule C (1040)	1040-ES (1990)	4562 & Instructions	8808 & Instructions	Pub. 505	Pub. 529	
1040A	Schedule D (1040)	2106 & Instructions	4868	Pub. 1	Pub. 508	Pub. 545	
1040A Sch. 2	Schedule D-1 (1040)	2119 & Instructions	8283 Instructions	Pub. 2	Pub. 521	Pub. 553	
1040EZ	Schedule E (1040)	2210 & Instructions	8332	Pub. 463	Pub. 523	Pub. 554	
1040A & 1040EZ Instructions	Schedule F (1040)	2441 & Instructions	8582 & Instructions	Pub. 501	Pub. 524	Pub. 910	
1040X & Instructions	Schedule R (1040) & Instructions	3468 & Instructions	8606	Pub. 502	Pub. 525	Pub. 917	

Internal Revenue Service

Name
Number and street
City or town, State, and ZIP code